



The Guaranty Gazette

Department of Veterans Affairs

Roanoke Regional Loan Center

Spring 2006

Welcome to the second quarterly issue of *The Guaranty Gazette*. This is being distributed by the U.S. Department of Veterans Affairs, Roanoke Regional Loan Center.

We hope that this newsletter will serve as a useful tool for Lenders, REALTORS and other industry professionals.

Since this is a new endeavor we are certainly receptive to any comments, ideas or suggestions that our readers can contribute.

Sincerely

Gregory W. Shelton

Editor



*To care for him
who shall have borne the battle
and for his widow, and his orphan*

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Wendy Torres
Loan Guaranty Officer
Roanoke Regional Loan Center

I started my career with Department of Veterans Affairs in 1998, as a Loan Assistant at the VA Regional Office in Cleveland, Ohio. I relocated to the St. Petersburg Regional Office, Florida in 1999, and held several positions of increased responsibility until my transfer to the Roanoke Regional Office in 2005, as the Assistant Loan Guaranty Officer.

I am a U.S Air Force veteran with an undergraduate degree in Business Administration and a Graduate degree in Public Administration. I am married with three children and two grandchildren.

Quick Facts

Here are some quick facts you may find useful concerning purchase transactions:

1. VA does not have a maximum loan amount. However, lenders do sell loans on the secondary mortgage market, so they will generally limit loans to \$417,000 (\$625,500 in Hawaii, Guam, Alaska and U.S. Virgin Islands) with no downpayment. With a downpayment, loans may exceed **these amounts**.
2. The veteran does have to qualify income and credit wise.
3. The veteran does have to occupy the home as their primary residence.
4. The veteran does not have to be a first time home buyer and may reuse his/her benefit.
5. The lender, not VA, sets the interest rate and discount points, so they may vary from lender to lender.
6. There is no private mortgage insurance, but VA does charge an up front VA funding fee, which may be financed. The exception to this is that if a veteran is in receipt of VA service connected disability payment each month, he or she does not have to pay a VA funding fee.
7. The seller can pay for closing costs. There is a requirement that seller concessions do not exceed 4%, but only certain items are considered as part of the concession; ie. payment of pre-pays, VA funding fee, payoff of credit balances or judgments on behalf of the veteran, funds for temporary buy-downs (not discount points).
8. The veteran is not allowed to pay for the wood destroying insect (termite) report; it is generally paid by the seller.
9. VA does not approve the majority of loans. The majority of transactions are handled directly by the lender with little VA intervention.

NEW PROCEDURES FOR PROCESSING REQUESTS FOR VA APPRAISALS ON PROPERTIES WITHOUT A VETERAN PURCHASER UNDER CONTRACT

The VA now allows processing of requests for an appraisal and Notice of Value (NOV) on properties that do not have a veteran under contract to purchase (John Doe cases).

This was done in response to members of the real estate community who have expressed an interest in having appraisals done on properties prior to listing or contract submission. It is believed that this would make it easier for buyers and sellers to decide to make and/or accept offers that provide for VA financing. The VA policy on the guaranty of loans with appraised values less than the sales price is outlined in the Code of Federal Regulation under 38CFR36.4303.

This policy has the effect of negating the “escalation clause” now prevalent in many contracts in our area of jurisdiction. Under the current policy, before VA would guaranty a loan on such a case, there would have to be an addendum to the contract that would substitute the VA refund clause for the escalation clause.

If the property has been appraised and a valid Notification of Value issued, the veteran may be given a copy of the John Doe NOV prior to making an offer. If the veteran decides to make an offer or accept a counter offer that includes an “escalation clause” after receipt of the NOV, the VA will not insist on the substitution of the escalation clause with the “VA refund clause.”

VA will now accept a request for a John Doe appraisal and authorize a lender with LAPP authority to issue an NOV on the property. We will allow the NOV to be endorsed to a veteran under contract to purchase the property and we will change the lender on the NOV if necessary.

The party wishing to request the appraisal, must contact a LAPP lender willing to process the request. Lenders are not required to process these cases and may not desire to participate. Lenders who are willing to process these cases must gather enough information to order the appraisal, be responsible for the payment of the appraisal fee, and issue the NOV. A copy of the NOV will be provided to the requester. Once the NOV has been issued it can be endorsed to change the name of the purchaser. There will be no charge to the veteran or reimbursement to the requester. When the veteran applies for the loan and requests the endorsement to the NOV, the lender needs to obtain a copy of the contract. If the contract provides for a purchase price or cost to the veteran in excess of the reasonable value on the NOV, the lender must verify that the contract includes an adequate “VA escape clause,” or specifically states that the veteran received a copy of the NOV prior to the contract, or obtain a certification from the veteran to that fact. The lender will provide the veteran with a copy of the revised NOV and the appraisal.

For more information on these cases please contact our C&V section.

MERS NOW an acceptable closing cost.

The Mortgage Electronic Registration System (MERS) registration fee is considered an allowable closing cost for veterans obtaining a VA guaranteed home loan.

MERS was created by the mortgage banking industry to streamline the mortgage process by using electronic commerce to help eliminate certain paper records. MERS is a database that tracks the ownership of the beneficial interest in a loan and its servicing rights. MERS serves as mortgagee of record in the public land records as nominee for the beneficial owner of the mortgage loan and mortgage servicing rights. MERS becomes the mortgagee of record by assignment, or in the original security instrument. Once MERS becomes the mortgagee of record, subsequent assignments of the mortgage, in connection with transfers of servicing or sale of a beneficial interest in the loan, are unnecessary.

The MERS registration fee is a one-time fee. Presently, the basic fee is \$3.95 and is considered “reasonable and customary”. This fee has been paid in connection with 32 million loans nationwide and is accepted in the conventional market, where it is an allowable borrower charge permitted by both FNMA and Freddie Mac.

In accordance with the requirements of the Real Estate Settlement Procedures Act (RESPA), the MERS registration fee must be disclosed in the Good Faith Estimate and the HUD-1.

MORE INFORMATION?

Some of the information in this newsletter is taken from LGI letters distributed by the Roanoke Regional Loan Center and Circulars from VA Central Office. To read the information in its entirety you may wish to access the following websites.

For Circulars:

<http://www.homeloans.va.gov/circs06.htm>

For Local Loan Guaranty Information Letters (LGI):

<http://www.vba.va.gov/ro/Roanoke/rlc/Lenders.html>

PORTAL PROBLEMS?

Wouldn't it be great if I could say we never have problems with that pesky portal or the tempermental TAS! Well I can't. Like any complex software system the portal and TAS have problems from time to time and we ask for your indulgence when this happens.

What can we do?

If you are locked out and cannot access the portal. You can go to the new help line at VIP@VBA.VA.GOV In an effort to keep you operating we are still providing HELP here at the RLC. If you have problems call 1-800-933-5499.

If you normally work in Maryland, DC, or Kentucky contact Tom Willard, ext. 3192 or Brent Johnson, ext. 3176.

If you normally work in Virginia or West Virginia contact Perry Keeton, ext. 3195 or Chris Searing, ext. 3193.

If the portal or the E-Appraisals system is down and you need an appraisal to get a case closed. In this circumstance we have instructed the appraisers to email a copy of the appraisal to the requester and then upload it to E-Appraisals once the system is working.

The SAR has the appraisals but cannot issue the NOV because the portal or TAS is down. If the NOV is not needed immediately the SAR can document in the SAR notes the reason for the delay in issuing the NOV. If the NOV is needed for closing the SAR can issue the NOV on paper and the hardcopy can be used to close. The SAR will need to code the NOV into TAS when it is available.

**New Procedure for Interest Rate Reduction Loan
& Servicer Status Inquiries using the New
WebGIL application
located within the Veterans Information Portal.**

Lenders and Servicers will no longer use the GILoan Status Inquiry web site to submit Status Inquiries to use in lieu of a Certificate of Eligibility. VA has now replaced the previous web site with an application called WebGIL located within the Veterans Information Portal <http://vip.vba.va.gov>. To access this application, each intended user must [register](#) as a Lender or Servicer to obtain an individual user ID and password. Current users should already have access and do not need to re-register. This is an instant automated service that will process Status Inquiries within seconds. This service can be used for all VA loans, regardless of the property location or VA office of jurisdiction. If the LIN Search returns information showing the Active loan to be refinanced etc., print the output and use in lieu of a COE.

To access the LIN Search Function:

Login and click on the WebGIL application listed under the Applications section on the left-hand side of the screen. After the WebGIL application opens, put your cursor over the words ALL USERS, then select Search LIN. If you have any questions, please email the VIP Helpdesk vip@vba.va.gov for assistance.

MANUFACTURED HOME APPRAISAL REPORT

The VA now requires that an appraisal of real property that has a manufactured home as the dwelling be completed on the new Manufactured Home Appraisal Report (Freddie Mac Form 70B/Fannie Mae Form 1004C, dated March 2005).

In the past, VA appraisal reports for manufactured homes (MH) appraised as real estate were required to be completed on the same appraisal report form as site built single-family residences, Uniform Residential Appraisal Report (URAR), Freddie Mac Form 70/Fannie Mae Form 1004.

Our analysis of the new Manufactured Home Appraisal Report has resulted in the determination that its use is preferable to the URAR for MH appraisals, as it was specifically designed to identify MH information in detail and should allow for a more comprehensive and consistent MH appraisal report that is easier to prepare and read.

On April 1, 2006, the use of the Manufactured Home Appraisal Report (dated March 2005) is **mandatory** for all VA manufactured home appraisals. MH appraisals that are completed on or after April 1, 2006, using any other form will be unacceptable to VA. The new Manufactured Home Appraisal Report is available online at:

Fannie Mae's website: <http://www.efanniemae.com/sf/formsdocs/forms/1004c.jsp>
and at Freddie Mac's website: <http://www.freddiemac.com/sell/forms/>.

The new Manufactured Home Appraisal Report form must be acceptably completed, including entries for all relevant questions based on personal observation. In addition, VA fee appraisers must identify and require correction of deficiencies or conditions necessary to ensure the subject property meets applicable VA minimum property requirements.

Fee appraisers are expected to be familiar with State and local code laws or regulations in their locality governing manufactured homes (such as missing HUD labels, alterations, modifications, additions, component replacements), and to make appropriate requirements for compliance.

The Cost Approach is not required for VA purposes, but may be completed to supplement the indicated value in the Sales Comparison Approach. Since VA relies exclusively on the sales comparison approach to value (except in very unusual circumstances), the VA value estimate (market value) should never exceed that indicated in the Sales Comparison Approach.

SUBTERRANEAN TERMITE TREATMENT BUILDER'S CERTIFICATION AND GUARANTEE

The VA has released a circular that reaffirms to all VA Loan Guaranty program participants that VA requirements for the builder's warranty against termite infestation in new homes are the same as outlined in the Department of Housing and Urban Development (HUD) Mortgagee Letter 99-3. Builders must continue to warrant against termite infestation in new homes for 1 year, a period of time that is in line with the terms of the other warranties provided by builders.

The National Pest Control Association (NPCA) Form NPCA-99a, Subterranean Termite Treatment Builder's Certification and Guarantee reflect this requirement. This form also clarifies the responsibilities of the pest control operator and the builder and accepts the use of EPA registered baits and wood treatments as termite protection. Form NPCA-99b, New Construction Subterranean Termite Soil Treatment Record, must continue to be used in conjunction with NPCA-99a only if the property is treated with a soil termiticide. The licensed pest control company is responsible for completing form NPCA-99b, as appropriate, and provides it to the builder. The builder is responsible for attaching the forms together and distributing the completed forms to the lender. There is no change to the requirement that the lender provides one copy to the buyer at closing and includes a copy with the request for a VA loan guaranty. If a State has more stringent record keeping requirements than NPCA-99b, the State form must be used.

Copies of the revised NPCA-99a and the current NPCA-99b can be obtained online from other form providers or by contacting:

National Pest Management Association (Previously known as NPCA)
9300 Lee Highway, Suite 301
Fairfax, VA 22031
Phone: (703) 352-6762 (NPMA)
Fax: (703) 352-3031

NPCA-99a and NPCA-99b are not VA forms and therefore are not available from VA or the Government Printing Office. These forms became mandatory on July 1, 1999.

The U.S. Department of Veterans Affairs

Commemorating 75 Years of Service

How May We Serve You?

The Roanoke Regional Loan Center (RRLC) provides loan servicing and guaranty origination of VA home loans in the following states: Virginia, West Virginia, Kentucky, Maryland, and the District of Columbia.

Loan Guaranty's Mission is to help veterans and active duty personnel purchase and retain homes in recognition of their service to the Nation. All veterans and other participants in the program will be treated in a courteous, responsive, and timely manner. We will endeavor to operate in the most efficient manner possible to minimize costs and ensure the best use of the taxpayer's dollar.



Contacting the VA RLC

Ever wonder how to contact those elusive VA staff members at the Regional Loan Center? Where are they anyway? We are located right here in beautiful Roanoke, VA. the garden spot of the earth, and we are available to assist you with any questions or concerns.

Included in this copy of the Gazette are directions to obtain phone numbers, fax numbers and e-mail addresses for the RLC staff, you will need to read further to find them. Much of this information can be retrieved from the internet. So we will include some website information.

Like you, we are busy but if you can not get the information you need from your copy of **VA Pamphlet 26-7, The Lenders Handbook** or the websites, then we want you to contact us. One of the best ways to do this is by using one of our general mailboxes. These are monitored daily by a staff member who will respond directly or refer your e-mail to the appropriate person.

Contact information continued on Page 14.

Contact information continued.

Contact information and links to other websites can be found at our Roanoke Regional Office (RLC) website at <http://www.vba.va.gov/ro/Roanoke/rlc/>

Names, phone numbers, fax numbers, and e-mail addresses for Construction and Valuation can be found by accessing the Roanoke RLC Fee Appraisers Guide at on the RLC website at <http://www.vba.va.gov/ro/Roanoke/rlc/forms/APPRAISER%20GUIDE%202005.pdf>

IMPORTANT NOTICE!!!!!!

The Los Angeles Eligibility Center has ceased operations

Effective January 1, 2006, ALL mailed applications for a Certificate of Eligibility for VA home loan benefits will be processed by the Winston-Salem Eligibility Center.

Mailing Address	Overnight Mail Address
VA Eligibility Center	VA Eligibility Center
P.O. Box 20729	251 North Main St.
Winston-Salem, NC 27120	Winston-Salem, NC 27155
Toll free Number: 1-888-244-6711	
E-Mail: nceligib@vba.va.gov	E-Mail: nceligib@vba.va.gov

Lenders are reminded to try to obtain an automated Certificate of Eligibility through ACE prior to mailing an application to Winston-Salem.

VA Recruitment of New Appraisers Complete

Lenders and Realtors have been seeing new names and faces when working with VA fee appraisers. The VA has completed the effort to recruit new appraisers nationwide. The goal to increase the size of the VA panel by 40% was reached last year for our Regional Loan Center. We believe that this increase in the size of the panel has improved appraisal timeliness. This has also improved our ability to cope with requests from appraisers who need to be off the panel due to illness or vacation. The new appraisers were selected based upon their education, experience and review of a sample appraisal. Their work will be closely monitored during a one year probation period. We hope that the addition of the new personnel will enhance the program for the other participants and we ask you to welcome them to the VA panel.

Hey Appraisers

THE TOP TEN APPRAISAL ERRORS

With apologies to David Letterman, here are the top ten errors made by other appraisers on their recent reports. (We know you did not make them, or at least you won't after reading this.)

1. Omission or incomplete comments for the Neighborhood and Marketing Information.
 - a. What concessions are being offered?
 - b. Is the marketing time increasing, decreasing or stable?
 - c. What is the sale price to list price ratio?
2. No appraiser certification "I have considered relevant competitive listing/contract offerings in performing this appraisal.
3. An Oldie but a Goodie, the lender/client name or address is wrong. The lender/Client on a VA appraisals is The U.S. Department of Veterans Affairs and our address is Any VA Approved Lender.
4. No explanation for significant adjustments in the sales comparison grid.
5. No condition of exterior materials in the exterior description grid.
6. For liquidation cases: No comments as to how competitive listings compare to the subject. (Also missing or incomplete addenda)
7. Condo documents not reviewed (non-liquidation cases)
8. No sketch or GLA calculations.
9. No directions in the grid. Appraisers will tell us the distance between the subject and comps but not the direction.
10. No signature on the appraisal.

If you have any questions on this check your VA Appraisers Guide On line (see the Contact Information page) **OR** email us **OR** call us.

We are from the government, and here to help you!

Myths and Legends

By Greg Shelton

Assistant Valuation Officer

Quite often I receive inquiries, feedback, or complaints from program participants regarding VA policy and procedures. Sometimes the person does not ask me about policies but begin by telling me what the policies are. Ah, wouldn't it be wonderful if what they told me was the truth, the whole truth and nothing but the truth! But, alas this is not always the case. One would think that the callers would be telling me how easy it should be, but normally it's the opposite. They think that things such as VA Minimum Property Requirements or MPRs are much more stringent than they really are. The reasons for some of the things I have heard are grounded in logic, while the reasons for the other are as elusive as Bigfoot. Here are a few myths and legends.

1. Condominiums.

A. The VA does not require approval if the condominium association has been approved by HUD. This is not true. Any VA case that involves a property in a condominium complex must have a valid VA Condo ID number. It is normally very easy to get a VA Condo ID number for any complex which has been approved by HUD. The lender only needs to provide information on the HUD approval. The only time the VA would not approve an association based upon HUD approval is a case where the VA has suspended or rejected the project. These are very rare incidences. When VA approves a condo based upon HUD approval, the conditions for the VA loan are those imposed by the HUD approval.

B. The VA has a 51% owner occupancy requirement. This is not true. HUD has this requirement, the VA does not. However, if the VA approval is based upon the HUD approval then the requirement is applicable since our conditions are those on the HUD approval.

C. It takes a long time to get approval of a condominium from the VA. A “long time” is a relative term. If the complex has been HUD approved the approval can usually be done the same day as the request. If the applicant provides a properly completed attorney certification letter with the documents, the approval does not need to be reviewed by a VA attorney. The current processing time is approximately one week. Submissions without the attorney certification take approximately three weeks from receipt.

D. An approval is needed for every phase or unit. Once the complex is approved by VA there is no need for the submission of additional documentation. The lender just needs to document their file that 70% of the units in the subject phase have sold in the past or are under bona fide contract of sale.

E. VA requires termite inspections in all cases for condo units “OR” VA does not require termite inspections for condos. Well both statements are incorrect. Chapter 16 outlines the requirements for termite certifications in condominiums. Units located in low rise or high rise buildings require a termite certification only if the appraiser has indicated that there appears to be a possible infestation problem.

F. There must be an easement and road maintenance agreement for a case in a condo complex. Not true. Evidence of the easement and road maintenance agreement are conditions applicable to single family residences. The streets and parking areas in condos are either common areas or public property.

G. Two unit condos do not need VA approval “OR” VA will not accept two unit condominiums. The number of units does not matter. Any property in a condominium complex must have a valid condo ID number to be eligible for a VA Guaranteed Loan. The documentation for a two unit may not be as involved as that for a larger complex but the documents still need review. The critical item for a two unit is the inclusion of an arbitration clause in the recorded documents. You can learn more about VA Condominium requirements by accessing Chapter 16 of the VA Pamphlet 26-7, VA Lenders Handbook at http://www.warms.vba.va.gov/pam26_7.html.

2. VA MPR requirements kill the deal.

A. **The conditions are too strict.** In the last newsletter I talked about Minimum Property Requirements. These are requirements that basically make the property safe, sound and sanitary.

B. **VA will not waive repairs.** If a veteran has good reason to make a written request that a condition be waived we will consider it. Waiver requests should be forwarded to the SAR who issued the NOV or the VA RLC, not to the appraiser. An example of a this type of request is a veteran purchasing a property from the VA or HUD and repairs can not be completed before closing. We will not likely waive a condition that constitutes a serious safety hazard such as the abatement of lead based paint. On less serious conditions, the veteran should provide information in the request such as why the repair can not be made, the cost, and if he or she plans to complete it later. When the VA waives a repair we must consider the impact on value. This is done since the NOV is issued at a value that considers the repair complete. We do not agree to waive every request but we do try to judge the request upon its individual merit.

C. **The VA is very strict and will not allow the lender to escrow for repairs.** The VA is not strict about allowing the lender escrow funds for repairs. The decision to escrow for repair or other conditions is made by the lender. The VA will not become involved in these matters. VA is strict that the work is actually completed. This should not be a problem if the lender escrows an appropriate amount of funds. The work must be complete before the VA issues guaranty.

3. **Properties on public utilities do not have to be hooked up if the well or septic is adequate.** The requirement is for all properties that will be guaranteed or insured with federal funds and will be connected to public utilities when they are available. This condition can be waived if it is not feasible to make the hook-up and the veteran should make a written request explaining why it is not feasible to make the hook-up. If this is for economic reasons he or she should detail the costs involved. If the cost is the same as that typically paid by the other homeowners on the street, it would appear that the hook up is feasible.

Needless to say I could go on but that is enough for now. Please, remember that if you think something is an impediment to a veteran getting a VA loan and you can not find the reference in printed material or on the websites, contact us and confirm that it is not a myth or legend that stands in the way.

Roanoke Regional Office Vision Statement

Our vision is that we, the men and women of the Roanoke Regional Office, demonstrate genuine respect and caring for those we serve, for each other, and for ourselves, and provide superior service to each and every customer.

- **There is a sense of purpose throughout the workplace motivating us to provide quality service.**
- **We communicate clearly and effectively.**
- **We are empowered through training and authority to act in the best interest of our customers.**

**Want a copy of
The Guaranty Gazette
Sent directly to your computer?**

**Email a request to me at
greg.shelton@vba.va.gov**